



**First-Tier And
Second-Tier
Retirement Plans**



*California
Public Employees'
Retirement System*



California Public Employees' Retirement System
P.O. Box 942704
Sacramento, CA 94229-2704
(916) 326-3141

Dear Member:

You have been provided with this First-Tier and Second-Tier Retirement Plans package because you are a new state miscellaneous or industrial member, and you may be eligible to choose between the two retirement plans: the First-Tier or the Second-Tier. These are explained on Pages 1-6.

As a new employee hired after June 30, 1991, you were automatically enrolled in the Second-Tier future retirement plan. Second-Tier future means that all service from your membership date forward will be credited under the Second-Tier plan. Qualifying service prior to that date will be under the First-Tier plan unless you elected the Second-Tier during a previous open enrollment period. You may, however, be eligible to elect the First-Tier plan if you meet one of the following conditions:

1. You were employed by the state prior to July 1, 1991, and have never elected to participate in the Second-Tier plan. (Electing to participate in the Second-Tier includes failure to submit a First-Tier election form.)
2. You were in an optional position on or before June 30, 1991, through which you were eligible to elect membership in CalPERS.
3. You were a member of CalPERS on or before June 30, 1991, through employment with a public agency or county school district.

If you meet any of the above conditions and you elect to be covered by the First-Tier plan, you will be responsible for paying all member contributions plus interest on any earnings retroactive to your date of membership in CalPERS.

If you elect to remain in the Second-Tier plan, you need not take any action. However, if you do not elect the First-Tier plan within one year of your membership date in CalPERS, it will be considered an irrevocable election to remain covered under the Second-Tier plan for all current and future miscellaneous and/or industrial service with the State of California.

To have any prior First-Tier state miscellaneous and/or industrial service credited under the Second-Tier plan at no cost, you must elect the Second-Tier for all past qualifying state service during an open election period which is held every five years after October 31, 1989.

If you elect to be covered under the First-Tier plan, you must complete the election document located at the back of this package and return it to CalPERS within one year of your membership date. If you elect the First-Tier plan you cannot revoke that election during this one year election period. However, you may elect the Second-Tier plan during future open election periods.

Everyone's retirement needs are different. The CalPERS Board of Administration recommends that you consider your own retirement needs very carefully before making your decision.

Information on the First-Tier and Second-Tier Retirement Plans

This summarizes the First-Tier and Second-Tier retirement plans. Review this material carefully so you may make an informed decision.

Under the First-Tier, both you and the state make contributions toward your retirement. Your contributions are not taxed until you retire or receive a refund. You may retire for service as early as age 50; however, the benefit factor improves each quarter year of age you wait to retire to age 63. Disability, death, and survivor benefits are also provided.

Under the Second-Tier, you make no contributions. Benefits are funded entirely by

state contributions. Your retirement allowance would be approximately half that provided under the First-Tier. You may retire for service as early as age 55; however, the benefit factor improves with each quarter year of age you wait to retire up to age 65.

Disability, death, and survivor benefits are also provided.

Under either plan, you may choose to provide certain benefits for your beneficiary upon your death after retirement. These choices are known as “options.” Choosing an option will reduce your unmodified allowance.

Each plan also provides certain death benefits dependent upon your service credit in CalPERS or whether you were eligible to retire on the date of your death.

To be eligible for retirement benefits under either plan, you must meet certain minimum requirements as described on the following pages. You may obtain a more detailed explanation of these benefits by referring to the following CalPERS booklets:

- State Miscellaneous, 2% at 60;
- State Industrial, 2% at 60;
- State Miscellaneous 1¼% at 65,
- Second-Tier Benefits;
- State Industrial, 1¼% at 65,
- Second-Tier Benefits;
- Disability Retirement;
- Industrial Disability Retirement.

These booklets are available from your personnel office.

	<i>First-Tier</i>	<i>Second-Tier</i>
Member Contributions	If you are covered by Social Security, your contributions are 5 percent of your monthly earnings in excess of \$513. If you are not covered by Social Security, your contributions are 6 percent of your monthly earnings in excess of \$317.	You pay no member contributions.



	First-Tier	Second-Tier																																																																				
Service Retirement																																																																						
Minimum Requirements	Age 50 with five years of CalPERS service credit. Age at retirement and benefit factors shown below:	Age 55 with 10 years of CalPERS service credit.*Age at retirement and retirement factors shown below:																																																																				
	<table><tr><th>Age</th><th>%</th><th>Age</th><th>%</th></tr><tr><td>50</td><td>1.092</td><td>57</td><td>1.650</td></tr><tr><td>51</td><td>1.156</td><td>58</td><td>1.758</td></tr><tr><td>52</td><td>1.224</td><td>59</td><td>1.874</td></tr><tr><td>53</td><td>1.296</td><td>60</td><td>2.000</td></tr><tr><td>54</td><td>1.376</td><td>61</td><td>2.134</td></tr><tr><td>55</td><td>1.460</td><td>62</td><td>2.272</td></tr><tr><td>56</td><td>1.552</td><td>63+</td><td>2.418</td></tr></table>	Age	%	Age	%	50	1.092	57	1.650	51	1.156	58	1.758	52	1.224	59	1.874	53	1.296	60	2.000	54	1.376	61	2.134	55	1.460	62	2.272	56	1.552	63+	2.418	<table><tr><th>Age</th><th>%</th><th>Age</th><th>%</th></tr><tr><td>50</td><td>.500 *</td><td>58</td><td>.900</td></tr><tr><td>51</td><td>.550 *</td><td>59</td><td>.950</td></tr><tr><td>52</td><td>.600 *</td><td>60</td><td>1.000</td></tr><tr><td>53</td><td>.650 *</td><td>61</td><td>1.050</td></tr><tr><td>54</td><td>.700 *</td><td>62</td><td>1.100</td></tr><tr><td>55</td><td>.750</td><td>63</td><td>1.150</td></tr><tr><td>56</td><td>.800</td><td>64</td><td>1.200</td></tr><tr><td>57</td><td>.850</td><td>65+</td><td>1.250</td></tr></table>	Age	%	Age	%	50	.500 *	58	.900	51	.550 *	59	.950	52	.600 *	60	1.000	53	.650 *	61	1.050	54	.700 *	62	1.100	55	.750	63	1.150	56	.800	64	1.200	57	.850	65+	1.250
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Adjustment to Final Compensation	For service covered by Social Security, the final compensation is reduced by \$133.33.	No adjustment—regardless of Social Security Coverage.																																																																				
Option 1 Benefit	You may take a reduction to your unmodified allowance to guarantee that upon your death any member contributions remaining in your account will be paid to your beneficiary.	Not available for Second-Tier service because there are no member contributions.																																																																				
Option 2, 2W, 3, 3W or 4 Benefit	You may take a reduction to your unmodified allowance to provide a monthly allowance to your named beneficiary throughout his/her lifetime.	Same as First-Tier except benefit is based on the lower unmodified allowance.																																																																				
Disability Retirement																																																																						
Minimum requirements	Five years of service at any age.	Ten years of service at any age.**																																																																				
Benefit Factors	1.8%	1.125%																																																																				



Disability Retirement cont.

First-Tier

Second-Tier

Disability Benefit	<p>If your disability is not job-related, and you have between five and 10 years service credit, you will receive up to 18 percent of your final compensation. If you have 10 to 18½ years, you will receive up to ⅓ of your final compensation. If you have more than 18½ years, the ⅓ limit may be exceeded. However, you cannot receive more than the service retirement allowance payable had you worked to age 60.</p> <p>At age 60 and older, your disability retirement allowance will be the same as your service retirement allowance.</p> <p>If your disability is the result of a violent attack upon your person by an inmate or parolee and you are an employee of the Department of Corrections, the Department of the Youth Authority, the Prison Industry Authority, or the Board of Prison Terms, the industrial disability benefit will be paid. There is no age or service requirement. You will receive 50 percent of your final compensation, or 60 percent of your final compensation if you are disabled for any job in state service and you were injured on or after 1-1-93. For employees hired after 1-1-80, benefit is limited to service retirement allowance at normal retirement age.</p>	<p>If you had five years of service credit on 1-1-85 and you currently have between 5 and 10 years of service credit, you will receive up to 11.25 percent of your final compensation. If you have 10 to 29.629 years of service, you will receive up to ⅓ of your final compensation.** If you have more than 30 years, the ⅓ limit may be exceeded. However, you cannot receive more than the service retirement allowance payable had you worked to age 65.</p> <p>At age 65 and older, your disability retirement allowance will be the same as your service retirement allowance.</p> <p>Same as First-Tier.</p>
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<i>Disability Retirement cont.</i>	<i>First-Tier</i>	<i>Second-Tier</i>
Option 1, 2, 2w, 3, 3w or 4 Benefit	See explanation for Service Retirement.	Option 2, 2w, 3, 3w or 4 only. See explanation for Service Retirement.

Pre-Retirement Death Benefits

Not Eligible to Retire on Date of Death	Under age 50, or over 50 with less than five years of service credit.	Under age 55, or over 55 with less than 10 years of service credit.*
Group Term Life Insurance	\$5,000*** plus six months pay.	Same as First-Tier.

Plus one of the following

Basic Death Benefit	Return of member contributions plus interest. Or In lieu of Basic Death Benefit and six months pay, a monthly allowance if minimum of 20 years of state service and in bargaining unit which an MOU has been agreed to and death occurs on or after 1-1-93.	Not available on Second-Tier service because there are no member contributions. Same as First-Tier.
Special Death Benefit	If your death is the result of a violent attack upon your person by an inmate or parolee of the Department of Corrections, the Department of the Youth Authority, the Prison Industry Authority, or the Board of Prison Terms, and you are employed by the above departments, your surviving spouse and children may receive a monthly allowance equal to 50 percent of your final compensation. If you have eligible surviving children in addition to your spouse, the allowance may be increased to a maximum of 75 percent.	Same as First-Tier.

<i>Pre-Retirement Death cont.</i>	<i>First-Tier</i>	<i>Second-Tier</i>
Eligible to Retire on Date of Death	Age 50 with minimum of five years service credit.	Age 55 with minimum of 10 years service credit.*
Group Term Life Insurance	\$5,000***	Same as First-Tier.
<i>Plus One of the Following</i>		
Option 2 Death Benefit (for eligible surviving spouse)	Option 2 monthly allowance as though you had retired on date of death.	Same as First-Tier except benefit is based on the lower retirement allowance.
<i>Or</i>		
1957 Survivor Benefit (no eligible spouse but minor children)	Monthly allowance equal to ½ the unmodified allowance as though you had retired on date of death.	Same as First-Tier except benefit is based on the lower retirement allowance.
Basic Death Benefit (no eligible beneficiary for monthly allowance or eligible beneficiary chooses the Basic Death Benefit)	Return of contributions plus interest and six months pay.	Six months pay.
<i>Or</i>		
Special Death Benefit	See previous explanation for Special Death Benefit.	Same as First-Tier.



	<i>First-Tier</i>	<i>Second-Tier</i>
<i>Post-Retirement Death Benefits</i>		
Option 1, 2, 2w, 3, 3w or 4 Benefit	See explanation under Service Retirement.	Option 2, 2w, 3, 3w or 4 only. See explanation under Service Retirement.
Lump Sum Death Benefit	\$2000.	Same as First-Tier.
Survivor Continuance (provides continuing allowance to eligible survivor)	$\frac{1}{4}$ unmodified allowance if you are under Social Security; $\frac{1}{2}$ unmodified allowance if not under Social Security.	Same as First-Tier except those under Second-Tier prior to 11-1-88 will continue to receive $\frac{1}{2}$ continuance.
Cost-of-Living Adjustment (payable on all monthly allowances except 1959 Survivor)	Up to 2 percent per year compounded depending upon the increase in the Consumer Price Index. Adjustment commences with the second year of retirement.	A fixed 3 percent per year compounded. Also commences with second year of retirement.

* Persons who have five years of credited service rendered prior to January 1, 1985, are eligible to retire at age 50 with less than 10 years under the Second-Tier.

** Persons who have five years of credited service rendered prior to January 1, 1985, are eligible to retire with less than 10 years under the Second-Tier.

*** Or as provided for by appropriate collective bargaining agreement.

Calculating Your Service Retirement Allowance

The following examples show how to calculate your service retirement allowance under the First-Tier and Second-Tier plans.

Example I: If you elect the First-Tier plan.

Example II: If you remain under the Second-Tier plan.

The examples shown are for the unmodified allowance only. If you choose an option at retirement, your unmodified allowance would be reduced under both the First-Tier and Second-Tier plans. The attached worksheet provides space for you to estimate your own retirement allowance.

Use your years of service, the table of benefit factors on Page 2,

your age at retirement, and your final compensation to calculate your retirement allowance. Final compensation is your highest average monthly pay rate for 12 consecutive months. If your First-Tier service is coordinated with Social Security, you must reduce your final compensation by \$133.33. No adjustment is required for Second-Tier service.

Calculating Your Unmodified Retirement Allowance

Years of state misc. and/or indus. service under this plan \times Benefit Factor based on age \times Final Compensation (minus \$133.33 if required) = Unmodified Allowance (the highest allowance payable)

Member Retirement Age 60
Total Years of State Service Credit 25 years
Final Compensation \$2,133.33 (minus \$133.33 if required) = \$2,000

Example I First-Tier Only

$$\begin{array}{ccccccc} \text{Service Credit} & \times & \text{Benefit Factor} & = & \% & \times & \text{Final Comp.} = \text{Unmodified Allowance} \\ \hline \text{25 (years)} & \times & .02 (2\%) & = & .5 (50\%) & \times & \$2,000 (\text{per month}) = \$1,000 (\text{per month}) \end{array}$$

Example II Second-Tier Only

$$\begin{array}{ccccccc} \text{Service Credit} & \times & \text{Benefit Factor} & = & \% & \times & \text{Final Comp.} = \text{Unmodified Allowance} \\ \hline \text{25 (years)} & \times & .01 (1\%) & = & .25 (25\%) & \times & \$2,133.33 (\text{per month}) = \$533.33 (\text{per month}) \end{array}$$

Service Retirement Calculation Worksheet

Your Case:

Your Retirement Age: _____

Your Total Years of
State Service* Credit: _____

Your Final Compensation (\$ _____ – \$133.33** if required) = \$ _____

1. If You Elect the First-Tier Plan

	Service Credit	X	Benefit Factor	=	%	X	Final Comp.	=	Unmodified Allowance
➔		X		=		X		=	
		X		=		X		=	

2. If You Remain Under the Second-Tier Plan

	Service Credit	X	Benefit Factor	=	%	X	Final Comp.	=	Unmodified Allowance
➔		X		=		X		=	
		X		=		X		=	

I. Total Unmodified Allowance First-Tier Plan..... \$ _____

II. Total Unmodified Allowance Second-Tier Plan \$ _____

* Use only state miscellaneous and/or state industrial service.

** Do not reduce your final compensation by \$133.33 for First-Tier state miscellaneous or state industrial service **not** covered by Social Security. Do not adjust your final compensation for Second-Tier service, regardless of Social Security coverage.

**Election Document
For First-Tier
Retirement Plan**

To be valid, this document must be completed and forwarded to CalPERS within one year of your date of membership.

I certify that I have read and understand the information that accompanied this document, and I hereby elect to enroll in the First-Tier retirement plan for state miscellaneous and industrial service from my date of membership. **I understand that I cannot revoke this election during this initial one-year election period, that contributions for future service will be deducted from my payroll warrants, and that I am responsible for paying all member contributions, plus interest, on any earnings retroactive to my membership date.**

Signature

Social Security Number

Printed Name

Date

Mailing Address

Employer

City

Telephone Number (work)

State, Zip

Fax Number (work)

Failure to file this form with CalPERS within one year of your date of membership will be deemed an irrevocable election by you to be enrolled in the Second-Tier retirement plan for all future qualifying state miscellaneous and industrial service.

Mail this form to:
California Public Employees' Retirement System
Member Services Division, Unit 841
P.O. Box 942704
Sacramento, CA 94229-2704

Please make a copy for your records

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**Acknowledgement
Of Receipt
Of Retirement Information**

I received the information and election package regarding the First-Tier and Second-Tier retirement plans (PERS-MEM-42 [A,B,C]).

Signature

Social Security Number

Printed Name

CalPERS Membership Date

Date

State Department

Telephone Number (work)

This form must be completed, signed and returned to your personnel clerk who will forward it to CalPERS. **This is NOT an election document.**

This information and election package was given to the above employee

on _____

Date

by: _____

Personnel Office Staff

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Public Telephone Number

Fax Number

Member Services Division, Unit 841
P.O. Box 942704
Sacramento, CA 94229-2704

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Information Practices Statement

The Information Practices Act of 1977 and the Federal Privacy Act require the California Public Employees' Retirement System to provide the following information:

The information requested is collected pursuant to Government Code Sections 20000, et seq. and will be used for administration of the Board's duties under the California Public Employees' Retirement Law, the Social Security Act, and the Public Employees' Medical and Hospital Care Act. Submission of the requested information is mandatory. If you fail to supply the information CalPERS may be unable to perform its functions regarding your status. Portions of this information may be transferred to: state and public agency employers, California State Attorney General, Office of the State Controller, Teale Data Center, Franchise Tax Board, Internal Revenue Service, Workers' Compensation Appeals Board, State Compensation Insurance Fund, county District Attorneys, Social Security Administration,

beneficiaries of deceased members, physicians, insurance carriers, and various vendors who prepare microfiche/microfilm and official documents for CalPERS.

Disclosure to these entities is done in strict accordance with current statutes regarding confidentiality.

You have the right to review your membership file maintained by CalPERS. For questions concerning your rights under the Information Practices Act of 1977, contact the Information Coordinator, CalPERS, 400 P Street, P.O. Box 942702, Sacramento, CA 94229-2702.

Remember

While reading this material, remember that we are governed by the California Public Employees' Retirement Law. The statements in this booklet are general. The Retirement Law is complex and subject to change. If there is a conflict between the law and this booklet, any decisions will be based on the law and not this booklet.

On The Cover:

Governor Earl Warren Camellia
Camellia japonica

Named in 1949 after California's Governor, this lovely pink flower blooms from January to March. Coincidentally, the first camellia was brought to the West by a James Warren who came from Boston to Sacramento in 1850. Camellias soon spread throughout California and Sacramento was named 'Camellia City' in 1910.



California Public Employees'

Retirement System

400 P Street

Sacramento • CA 95814

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